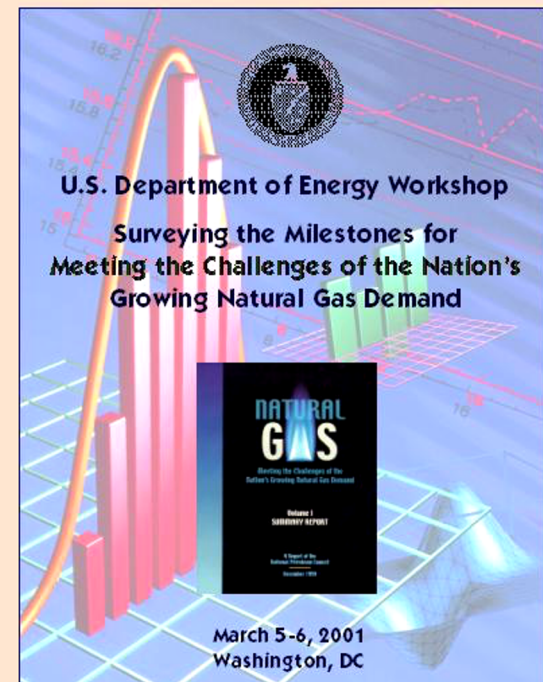


U.S. Department of Energy Workshop

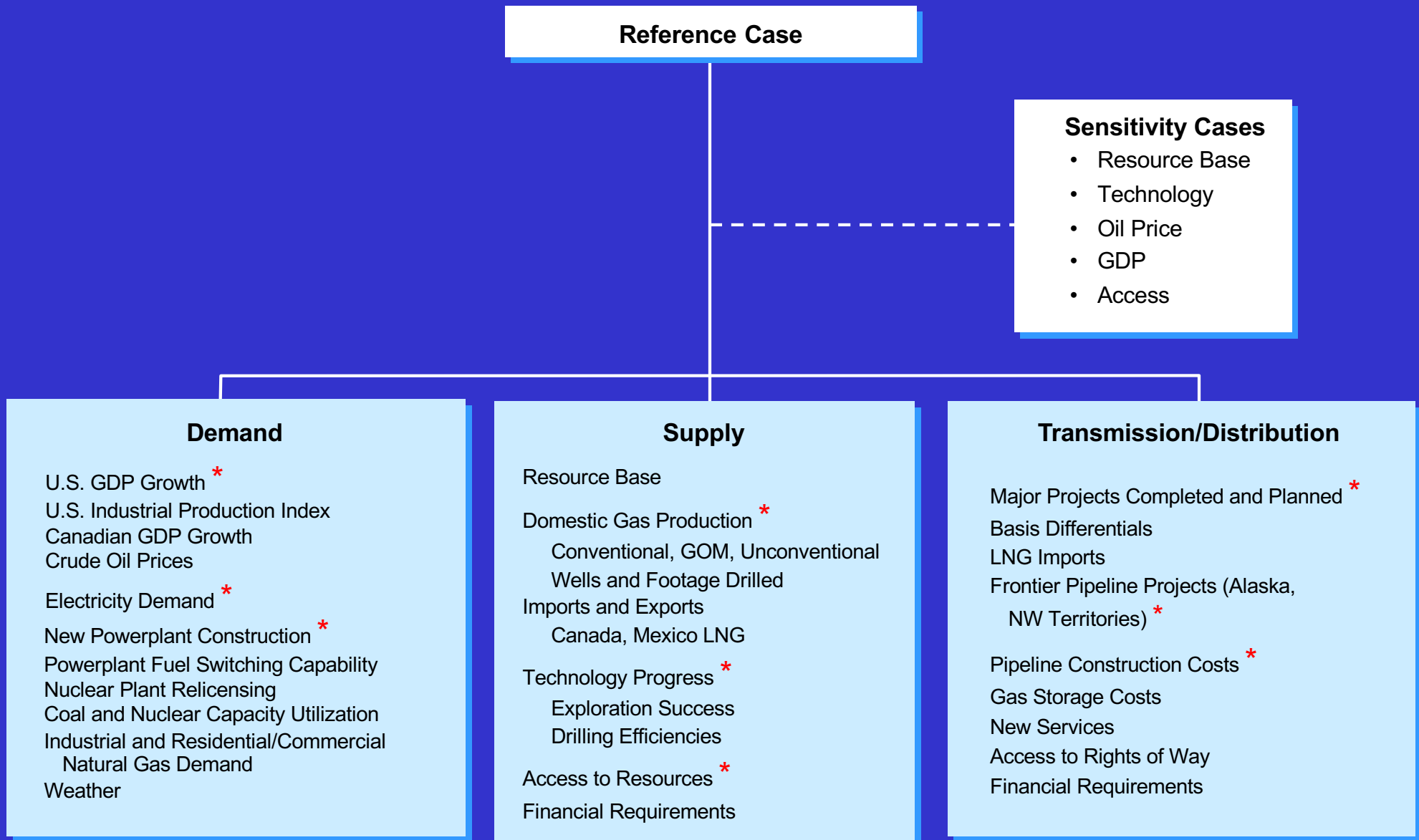
Surveying the Milestones for *Meeting the Challenges of the Nation's Growing Natural Gas Demand*

March 5-6, 2001
Washington, D.C.

WORKSHOP SUMMARY

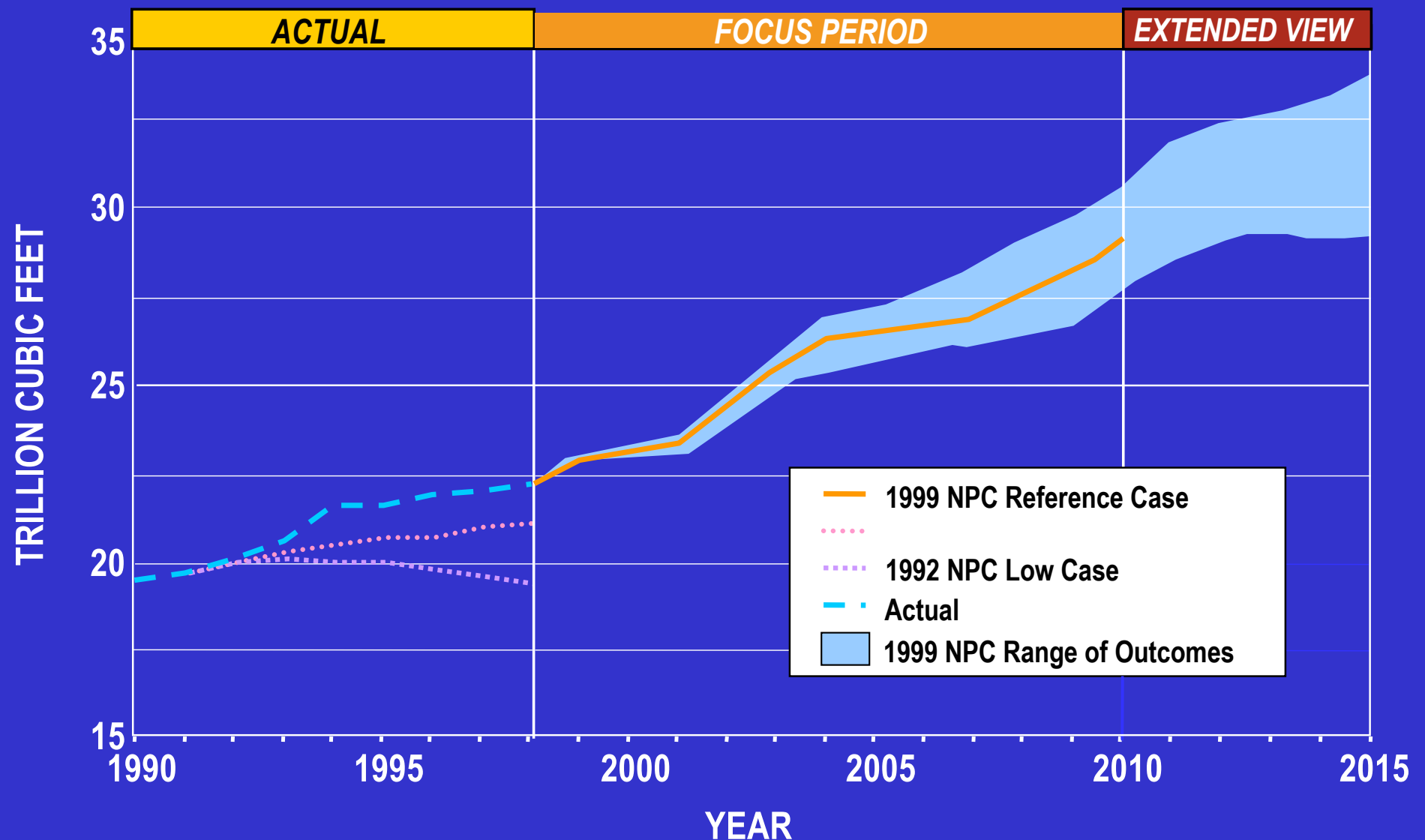


NPC Natural Gas Report: Assumptions Roadmap



* Key issues.

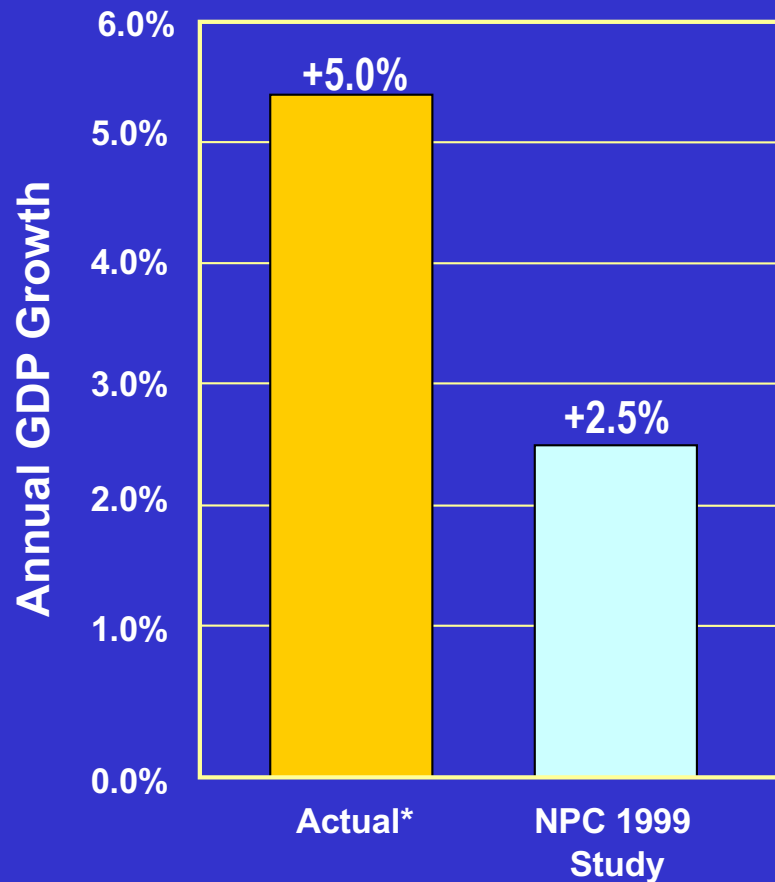
U.S. Natural Gas Demand: Comparison of 1992 and 1999 NPC Reports



Factors Behind Increased Gas Demand

2001 DOE Workshop

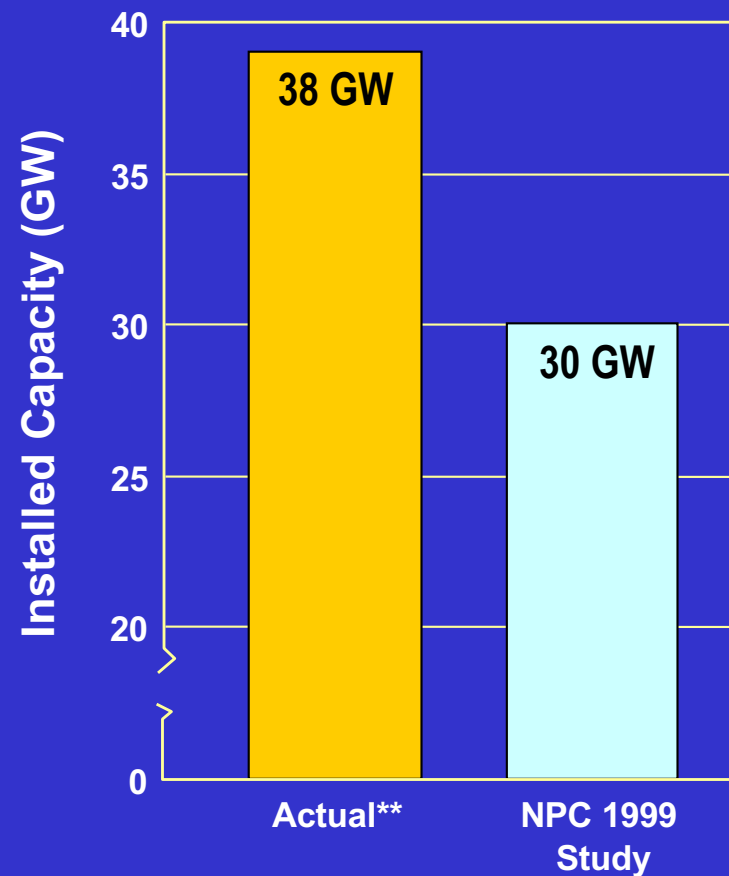
Faster GDP Growth (2000)



* EIA, Short Term Energy Outlook, Jan 2001.

** EEA

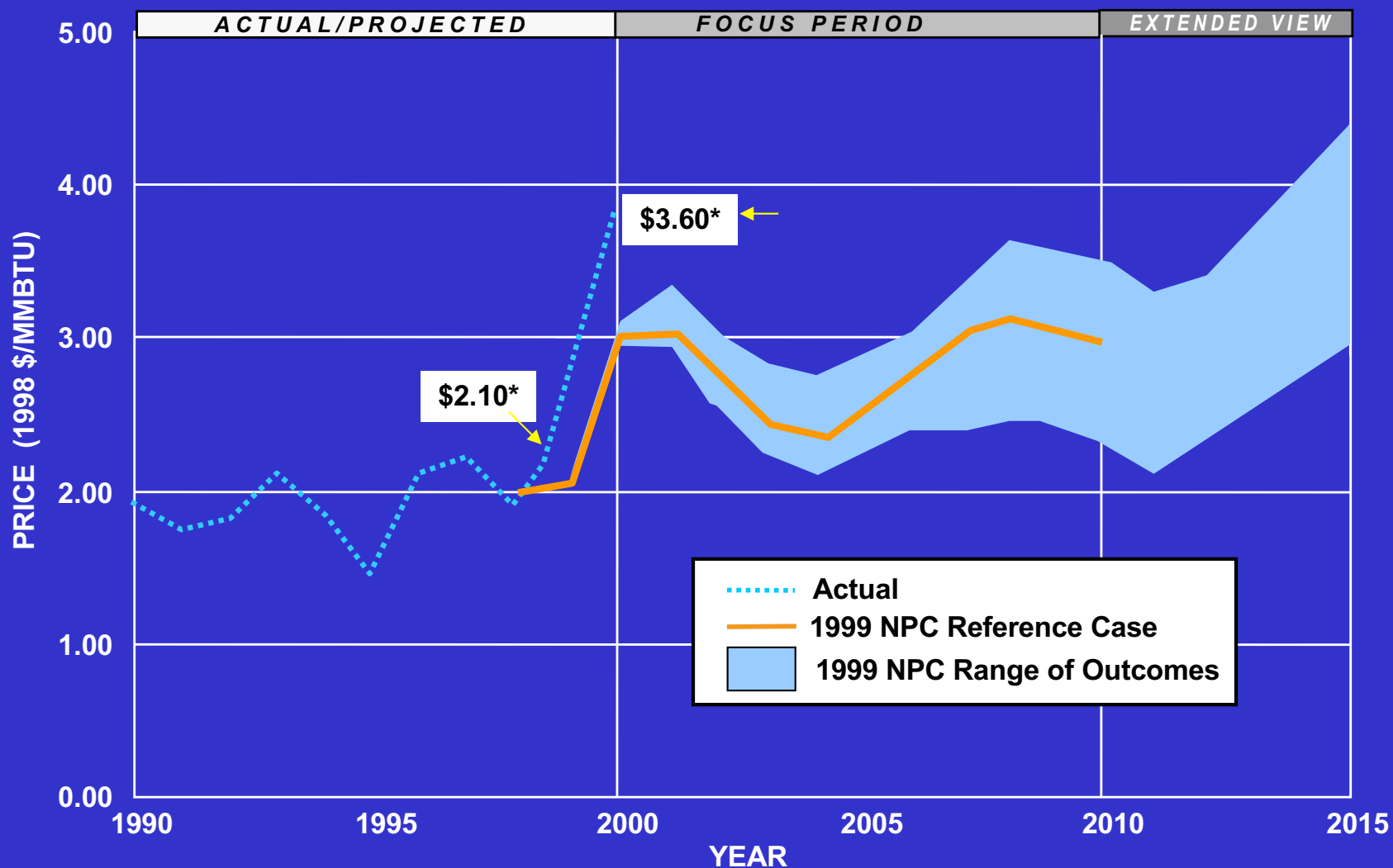
Increased Gas/Oil-Fired Electric Power Capacity (1998-2000)



Natural gas for electricity -- 4 years ahead of NPC projection

Historical and Projected U.S. Natural Gas Prices

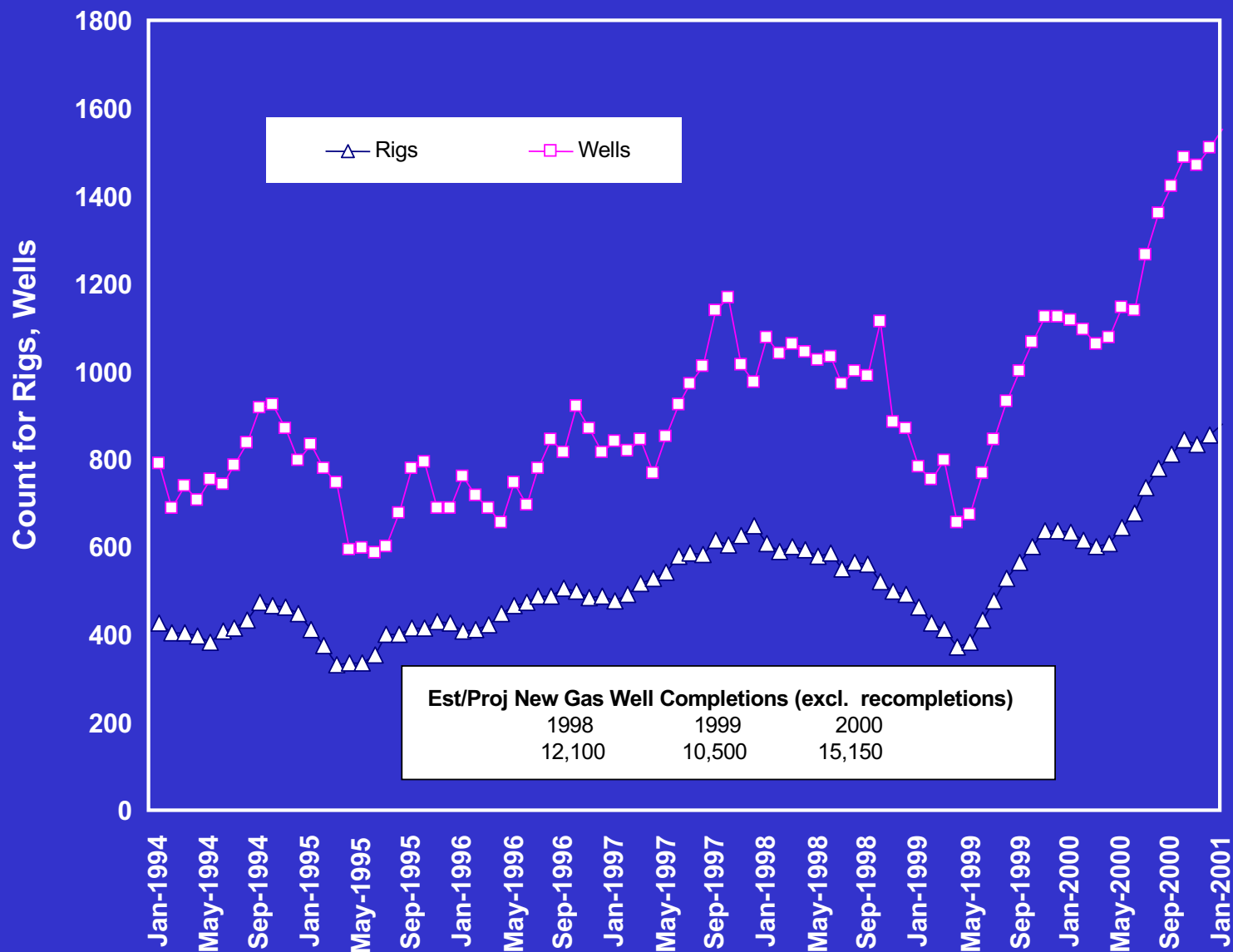
Lower-48 Weighted Average Wellhead Price



Prices are NOT intended to be a forecast. Seasonal factors such as abnormal weather and demand fluctuation have not been taken into account.

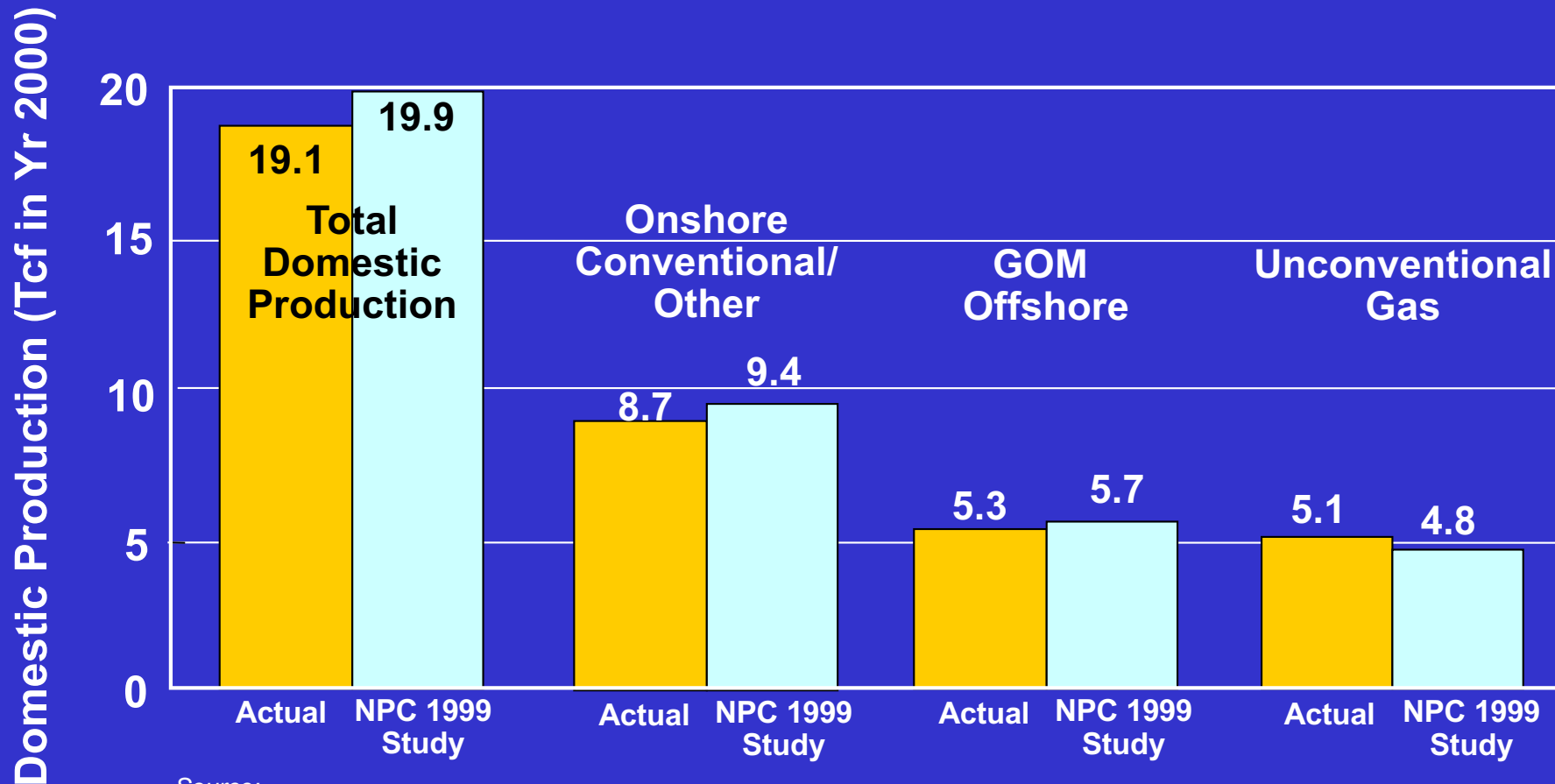
* Estimated Source: EIA Natural Gas Monthly, Jan 2001.

U.S. Gas Drilling Activity Levels



Source: EIA

Domestic Gas Production for 2000 is Below Expectations, Except Unconventional Gas



Source:

- Total – EIA Monthly Energy Review, Jan 2001 (0.4 Tcf of Difference Due to Calibration Differences, NPC vs EIA).
- Offshore – ARI estimates.
- Unconventional – ARI estimates.

CRITICAL FACTORS

1999 NPC Report

- Access
- Technology
- Financial Requirements
- Skilled Workers
- Rigs
- Lead Times
- Requirements of New Customers

*2001 Workshop:
Critical Factors and
Recommendations --
still valid, greater urgency*

POTENTIAL ENERGY POLICY ACTIONS

- **Improve interagency coordination**
- **Establish a national strategy for natural gas**
- **Review regulations and policies that may impact natural gas supply**
- **Increase access to resources and rights-of-way
(Federal lands inventory, Sale 181, Destin Dome, OCS Bright Spots)**
- **Streamline permitting and approval processes**
- **Consult with states (maintaining a national perspective)**
- **Maintain view of North American gas market and international sources of supply**
- **Encourage technology development**
- **Evaluate royalty relief and other financial incentives**
- **Monitor progress on critical factors**